CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 3, 1999

H.R. 2434
Worker Paycheck Fairness Act

As ordered reported by the House Committee on Education and the Workforce on November 3, 1999

SUMMARY

H.R. 2434 would place new requirements on unions and employers relating to the payment of union dues and fees by workers. The bill would require labor organizations with union security agreements to obtain prior written authorization from workers for any portion of their dues or fees that are used for nonrepresentational activities. (A union security agreement between an employer and a labor organization requires union and nonunion members to pay dues or fees to the union as a condition of employment.) In addition, the legislation would require labor organizations to report separately their expenses for representational and nonrepresentational activities on financial disclosure forms filed with the Department of Labor (DoL). The bill would also require all employers with workers who are represented by unions to post notices regarding their union's duty to obtain authorization before accepting required dues or fees that are partially used to fund nonrepresentational activities.

CBO estimates that implementing H.R. 2434 would cost the Department of Labor about $2 million per year beginning in fiscal year 2000 and about $9 million over the 2000-2004 period, assuming appropriation of the necessary funds. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 2434 contains both intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost to state, local, or tribal governments to comply with the mandates would not exceed the threshold established in that act ($50 million in 1996, adjusted annually for inflation). CBO is uncertain whether the direct costs of complying with the private-sector mandates would exceed the threshold specified in UMRA ($100 million in 1996, adjusted annually for inflation) in the first year the bill would be effective. We estimate that the direct cost of those mandates would not exceed the threshold in subsequent years.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2434 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
WITH ADJUSTMENTS FOR INFLATION					
Authorizations of Appropriations Under Current Law [a]					
Estimated Authorization	337	351	363	375	387
Estimated Outlays	339	350	362	374	386
Proposed Changes					
Estimated Authorization	2	2	2	2	2
Estimated Outlays	1	2	2	2	2
Authorizations of Appropriations Under H.R. 2434					
Estimated Authorization	339	353	365	377	389
Estimated Outlays	340	352	364	376	388
WITHOUT ADJUSTMENTS FOR INFLATION					
Authorizations of Appropriations Under Current Law [a]					
Estimated Authorization	337	337	337	337	337
Estimated Outlays	339	337	337	337	337
Proposed Changes					
Estimated Authorization	2	2	2	2	2
Estimated Outlays	1	2	2	2	2
Authorizations of Appropriations Under H.R. 2434					
Estimated Authorization	339	339	339	339	339
Estimated Outlays	340	339	339	339	339

a. Salaries and expenses of the Employment Standards Administration. The figures for fiscal year 2000 reflect the appropriation for that year.

H.R. 2434 would require labor organizations to provide more information in financial disclosure forms that they file with DoL. In 1999, about 31,500 labor organizations filed such forms. H.R. 2434 would require DoL to develop new forms for these organizations to use. In addition, DoL would need to provide compliance assistance and training on these new forms and would incur additional costs for processing them. In 1992, the Administration sought to make changes similar to those provided for in H.R. 2434 through administrative action. At that time, DoL estimated the additional costs of developing new forms, providing necessary compliance assistance, and processing cases at $1.35 million per year. Adjusted for inflation, these costs would be about $1.7 million in fiscal year 2000 and slightly larger amounts each year thereafter.

H.R. 2434 also would require employers of workers who are covered by collective bargaining agreements to post notices regarding their union's responsibility to obtain authorization in order to spend a portion of their dues or fees on nonrepresentational activities. Currently, employers are required to post notices regarding minimum wage and maximum hour requirements, equal opportunity and anti-discrimination provisions, and other information regarding workplace safety. The federal costs of enforcing the requirement to post additional information would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS: None

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2434 contains two intergovernmental mandates as defined in UMRA. The bill would require employers (including state, local, and tribal governments) that allow collective bargaining to post notices informing employees of their new rights under the bill. The bill also would require state courts to impose certain remedies for violations of employees' rights under the bill. CBO estimates that even if all state, local, and tribal governments in states that allow collective bargaining were required to post notices, compliance costs would not be significant. The new requirements for state courts would not result in any additional costs because they just specify certain elements of judgments to be awarded by the courts.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2434 would impose two new private-sector mandates–one on labor organizations and one on employers–and expand an existing one on labor organizations. CBO cannot determine whether the aggregate direct cost of the the three mandates in H.R. 2434 would exceed the statutory threshold specified in UMRA ($100 million in 1996, adjusted annually for inflation) during the first year the mandates would be effective. The cost of each mandate would decline substantially after the first year, however. CBO estimates that the aggregate direct cost of the mandates in the second through fifth years would not exceed the statutory threshold.

First, the bill would require labor organizations with union security agreements to obtain prior written authorization from workers for any portion of their dues or fees that are used for activities other than employee representation. In 1988, the Supreme Court decided in *Communication Workers of America v. Beck* that nonunion workers who are required to pay dues or fees to a union need only pay for the share of union expenses used for representational activities. To exercise this right, however, the workers must formally object to the payment of the higher fee.

The cost of this mandate would be greatest in the first year because affected labor organizations would have to request authorizations from all of their current workers. Subsequently, unions could add an authorization form to the normal hiring process, thereby covering any new employees. The cost to unions in the first year would depend on the number of workers from whom authorizations would be requested and the average cost of making such a request. Little information is available on either of these quantities. Currently, 29 states allow union security agreements. A total of 13.2 million union members, and an additional 1.1 million workers represented by unions, were employed in these states in 1998. The proportion of these workers employed under union security agreements is unknown. Furthermore, only unions that spend a significant portion of their funds on nonrepresentational activities would have a real incentive to obtain authorizations. Because the prevalence and magnitude of spending on nonrepresentational activities is not known, CBO cannot estimate how many labor organizations with union security agreements would actually request authorizations.

Second, the bill would increase financial reporting requirements for labor organizations. Unions would have to report separately their expenses for representational and nonrepresentational activities. Under current law, labor organizations must file financial disclosure forms with the Department of Labor. The financial disclosure forms, however, do not report the purposes of these expenditures.

All labor organizations that currently file financial disclosure forms with the Department of Labor would have to comply with the bill's reporting requirements. In 1999, there were about 31,500 such labor organizations, and the cost of reporting requirements would vary significantly. CBO cannot estimate an average cost per organization because comprehensive data on the type, size, and activities of labor organizations do not exist. The cost would be greatest in the first year the requirement would be in effect because many labor organizations would have to set up new reporting and accounting systems. In the following years, the cost would decline significantly. For some organizations with union security agreements, even the initial cost might be small because, under current law, they must disclose their nonrepresentational expenses and calculate reduced fees for nonmembers who formally object to paying for such expenses.

Finally, H.R. 2434 would require all employers with workers who are represented by a union to post notices informing their workers of the union's duty to obtain their authorization if some of their required dues or fees are used for nonrepresentational purposes. These requirements would impose a largely one-time cost on employers with union workers. To comply with these requirements, employers would have to post notices in at least one area in each of their establishments. Currently, all employers are required to post notices regarding fair labor standards and workplace safety requirements. This new posting mandate, however, would apply only to employers of workers covered by collective bargaining agreements. Of the approximately 3 million establishments with paid employees, the share with union workers is not known. In any case, the cost per notice could be quite small. Therefore, CBO estimates that the overall cost of this mandate to employers would be less than $10 million in the first year the mandate is effective and negligible in later years.

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